



# THE FINANCIAL FORTRESS

Master Blueprint for Military and Federal Retirement Architecture

TARGET PROFILE: Transitioning Military, Federal  
Employees, Veterans, & Spouses

CLASSIFICATION: Actionable Strategy

# The Retirement Glide Path

If you have questions about your GEHA medical plans and retirement, call GEHA Customer Service at [800.821.6136](tel:800.821.6136) or visit [geha.com](http://geha.com)

To be sure you can continue your valuable FEHB plan coverage into retirement, it's important to know the program's rules regarding retirees.

According to OPM, when you retire, you are eligible to continue health benefits coverage if you meet the following requirements:

- You will retire under a qualifying retirement system for federal employees

## 5 Years Out

- FEHB 5-Year Rule:** Must be continuously enrolled in a Federal Employees Health Benefits plan for the 5 years immediately preceding retirement to carry it into retirement.
- Annuity Estimates:** Request initial CSRS/FERS estimates.

## 1 Year Out

- Survivor Benefits:** Begin evaluating SBP and term life insurance requirements.
- TSP Strategy:** Evaluate withdrawal options and tax impacts.

## 6-4 Months Out

- BDD Claim Window:** Submit Benefits Delivery at Discharge (BDD) claim precisely between 90-180 days before separation. Missing this window delays VA rating and compensation.

## 2-0 Months Out

- Admin Lock-In:** Submit final retirement application, SBP election forms (DD 2656-1), and clear financial indebtedness.

their prior appointment counts toward having five years of continuous service as long as they re-enroll within 60 days of being rehired.

# The Financial Fortress Architecture

## The Financial Fortress



### Pillar 1: Income Architecture

Maximizing the interaction between DoD Pensions, VA Disability, and Federal Annuities while neutralizing the VA Waiver.



### Pillar 2: Healthcare Integration

Eliminating coverage gaps by overlapping TRICARE for Life, Medicare, and VA Healthcare.



### Pillar 3: Asset Protection

Shielding wealth from state tax drain, property tax traps, and market volatility (Sequence of Returns risk).



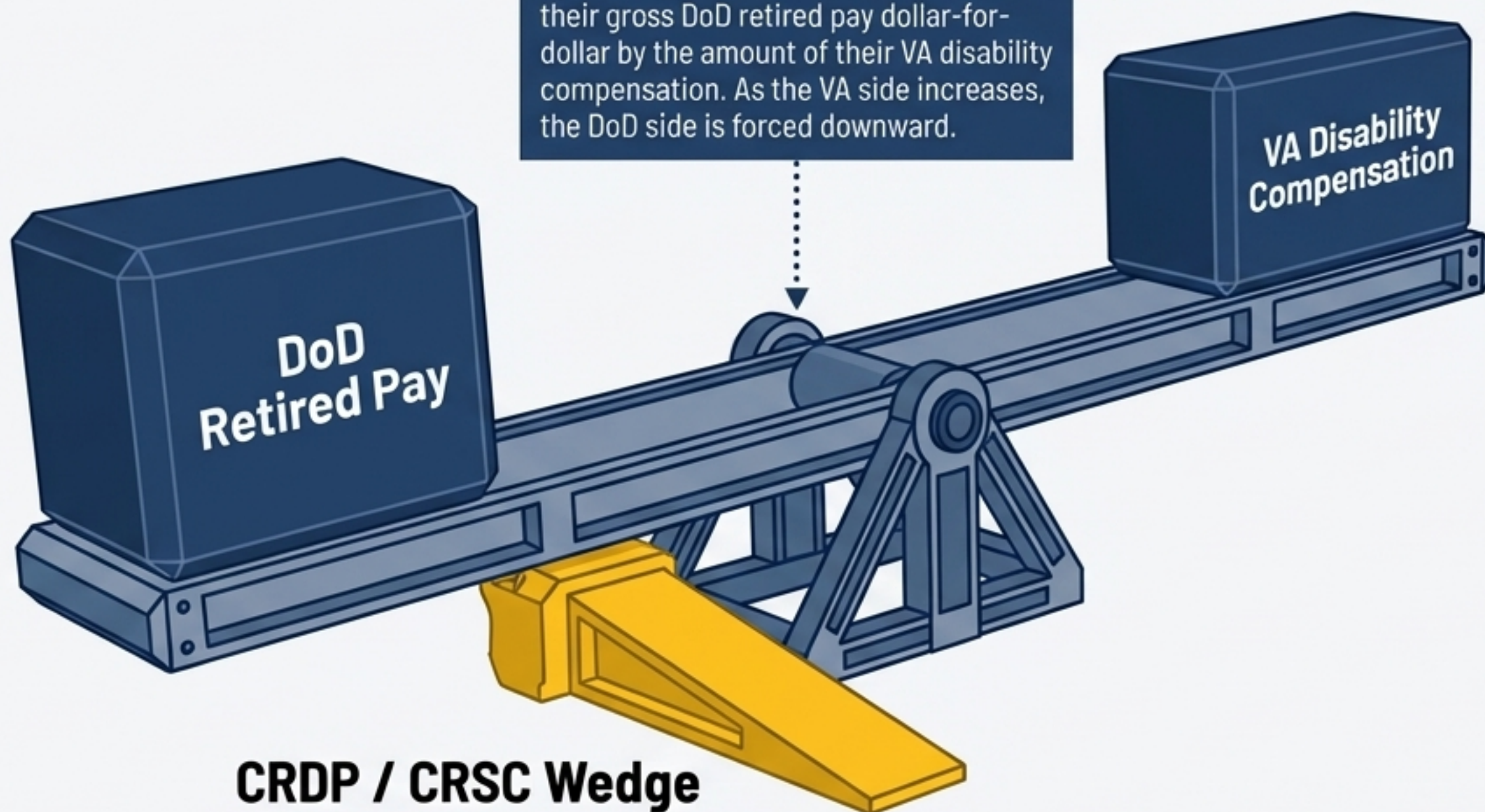
### Pillar 4: Legacy Defense

Ensuring lifetime spouse protection through calculated Survivor Benefit Plan (SBP) execution and Social Security coordination.

# Neutralizing the VA Waiver

## The Baseline Mechanism:

By law, a retiree must waive a portion of their gross DoD retired pay dollar-for-dollar by the amount of their VA disability compensation. As the VA side increases, the DoD side is forced downward.



## Diagnostic Warning: Retroactive Adjustments

Retroactive VA disability rating changes can create a reporting lag between DFAS and the VA, potentially causing temporary retroactive debits or credits. Planning for these offsetting adjustments is critical to initial retirement cash flow.

# The Concurrent Receipt Matrix

## CRDP (Concurrent Retirement and Disability Pay)

**Type:** Service-Connected Disability

**Minimum Rating:** 50% or greater VA rating

**Application:** Automatic enrollment

**Tax Status:** Taxable (considered recoupment of retired pay)

**Division:** Subject to USFSPA Division (Former Spouse)

## CRSC (Combat-Related Special Compensation)

**Type:** Combat-Related (Armed conflict, hazardous duty, instrumentality of war)

**Minimum Rating:** 10% or greater VA rating

**Application:** Requires specific application (DD Form 2860) to branch of service

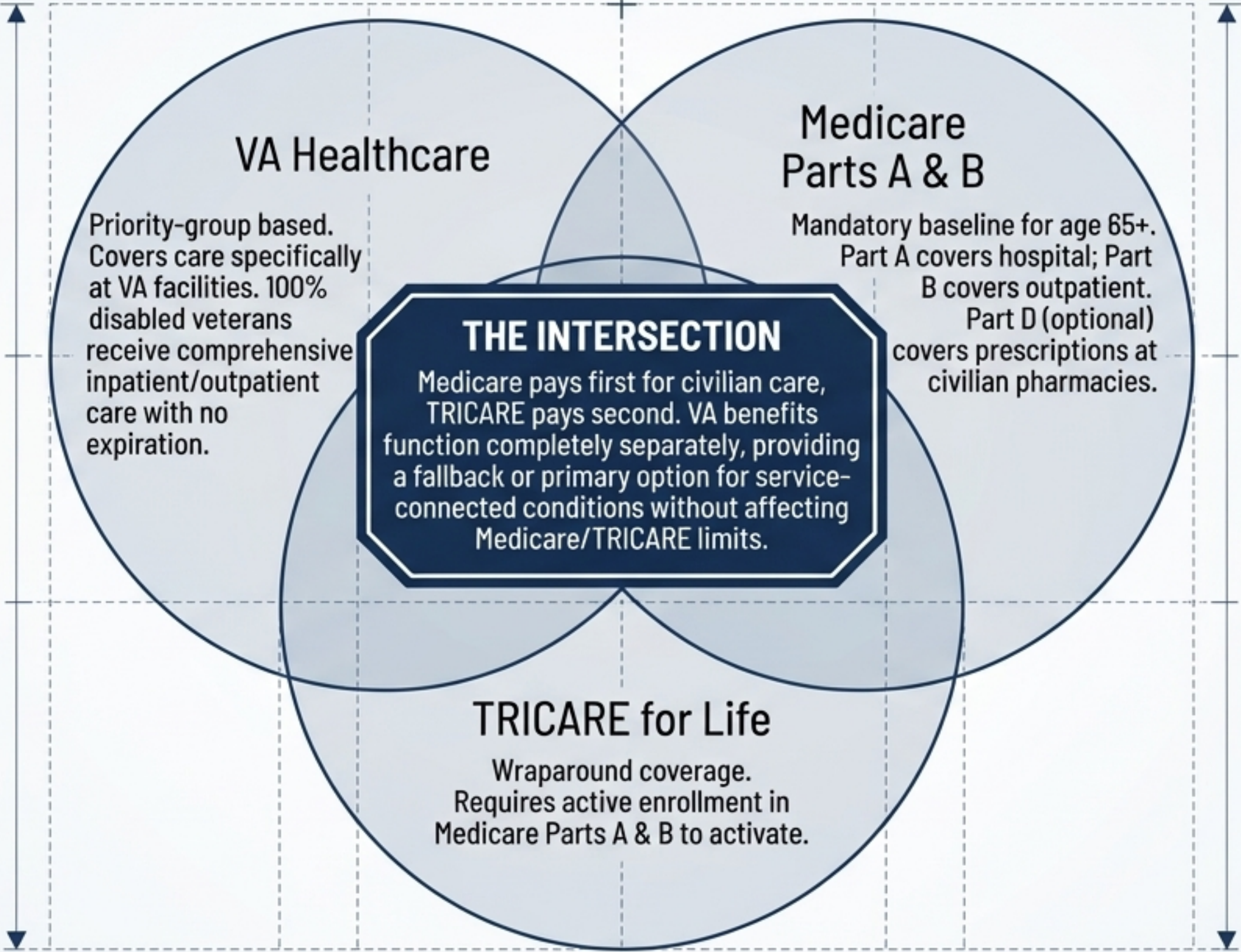
**Tax Status:** Non-taxable (disability payment)

**Division:** NOT subject to USFSPA Division

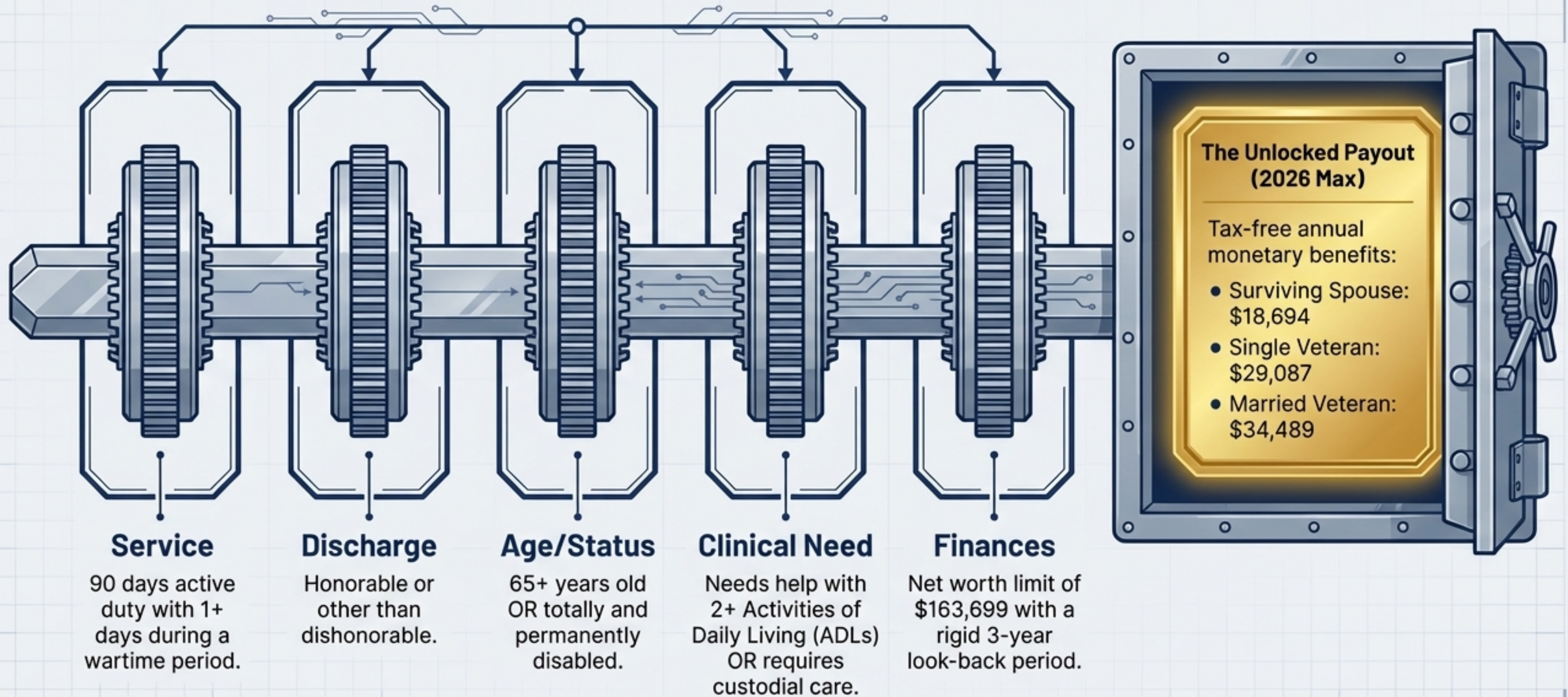


**SYSTEM RULE:** By law, retirees cannot receive both CRSC and CRDP simultaneously; an annual program election must be made to optimize tax status and total net payout.

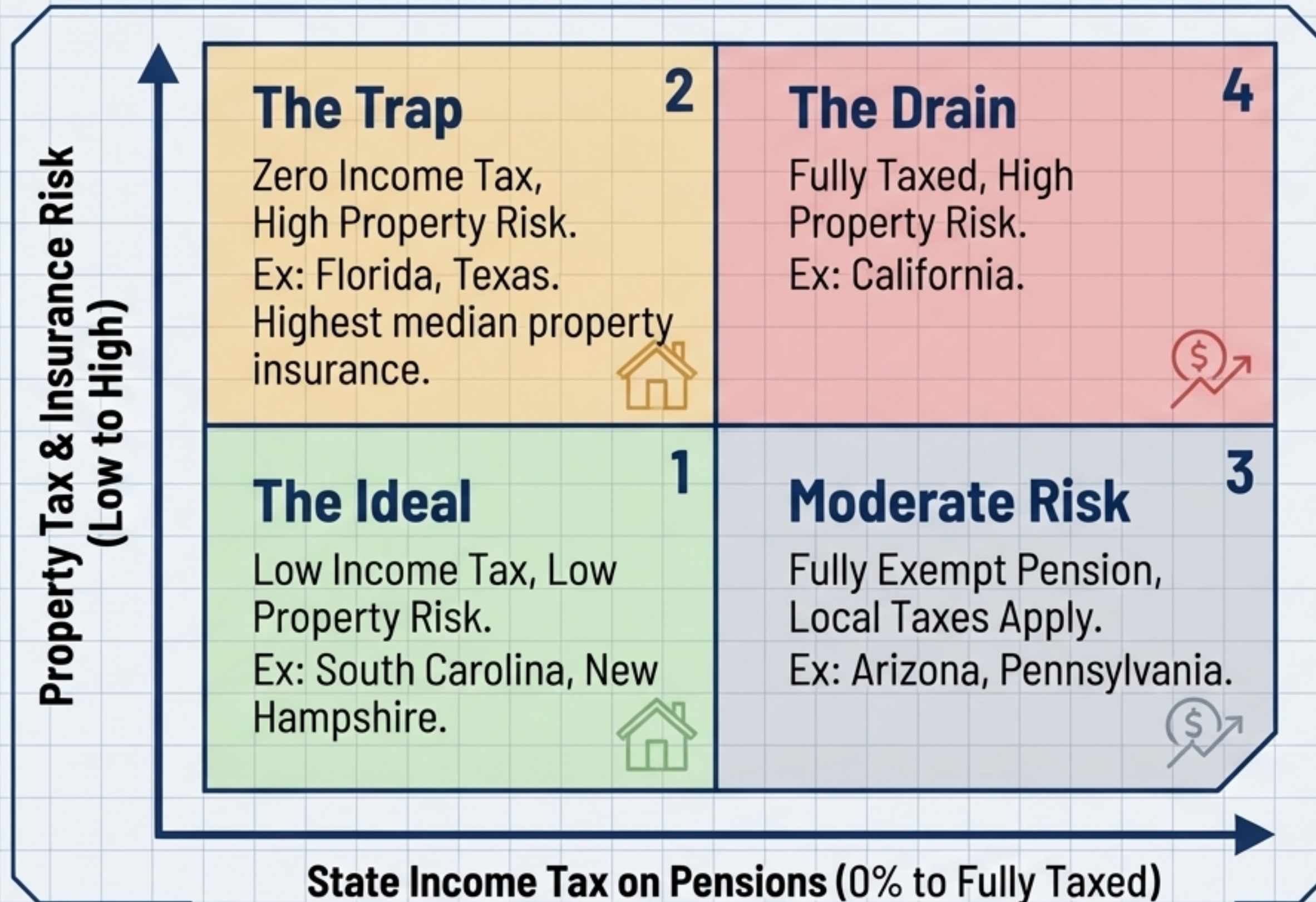
# Healthcare Integration Map



# The Aid & Attendance Tumbler Lock



# The State Relocation Multiplier



## Wallet Math Reality Check

- A **tax-free state** saves ~**\$3,600/year** on a \$60k pension.
- **BUT**, moving to a state with a 2% property tax rate on a \$400k home costs **\$8,000/year**.
- **CONCLUSION:** Property taxes often quietly **cost more than state income tax ever would.**

# Tax-to-Buying-Power Engine

**The Pension Input**  
Retiree receives \$60,000/year in military retirement.



**The Tax Filter**

Choosing a fully exempt state vs a 6% taxable state saves exactly \$3,600 annually in leaked capital.



**The DTI Converter**

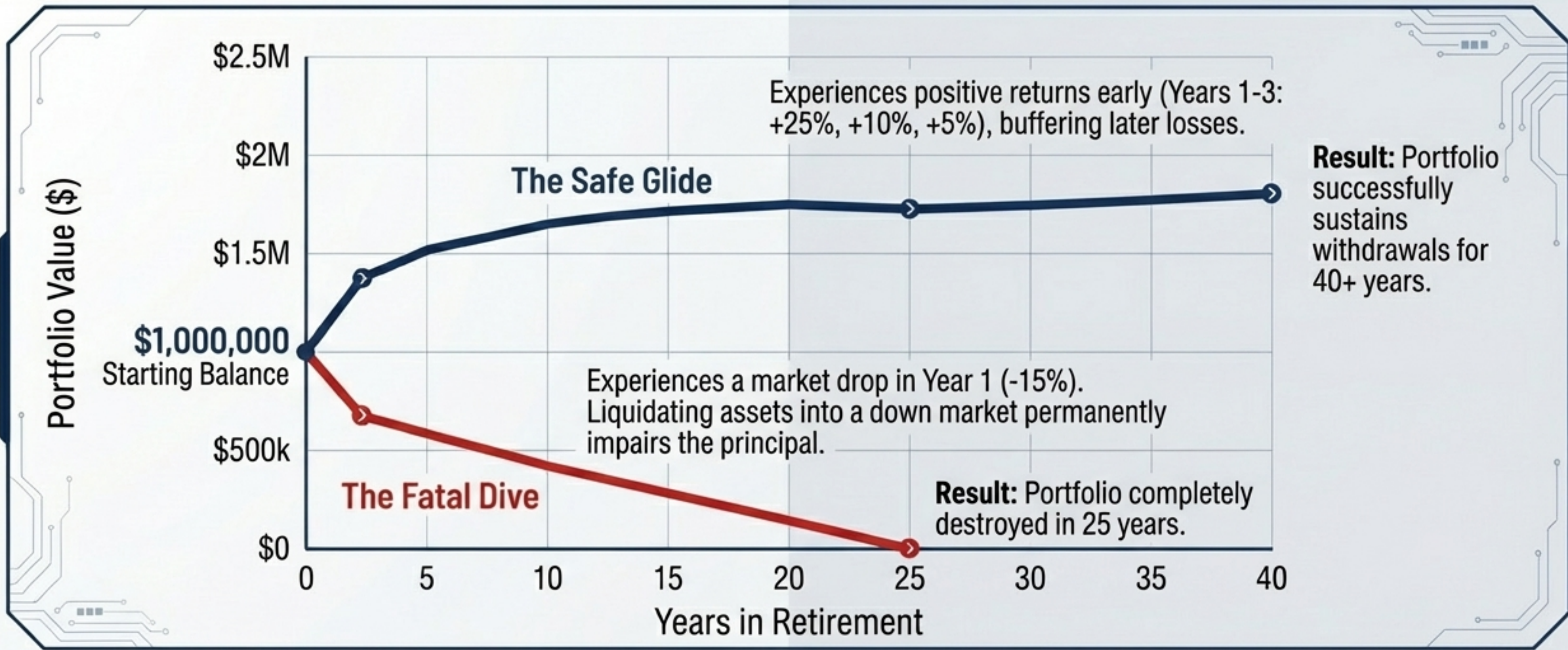
That preserved \$3,600 equates to \$300 per month in usable, clean net income.

**The Buying Power Output**

Lenders evaluate Debt-to-Income (DTI) for VA loans. Adding \$300/month in clean cash flow expands approval ceilings, translating into an extra \$30,000 to \$50,000 in home-buying power.

**BOTTOM LINE:** Tax strategy is wealth strategy. Lower tax burden equals lower DTI, faster equity growth, and optimized VA loan approval.

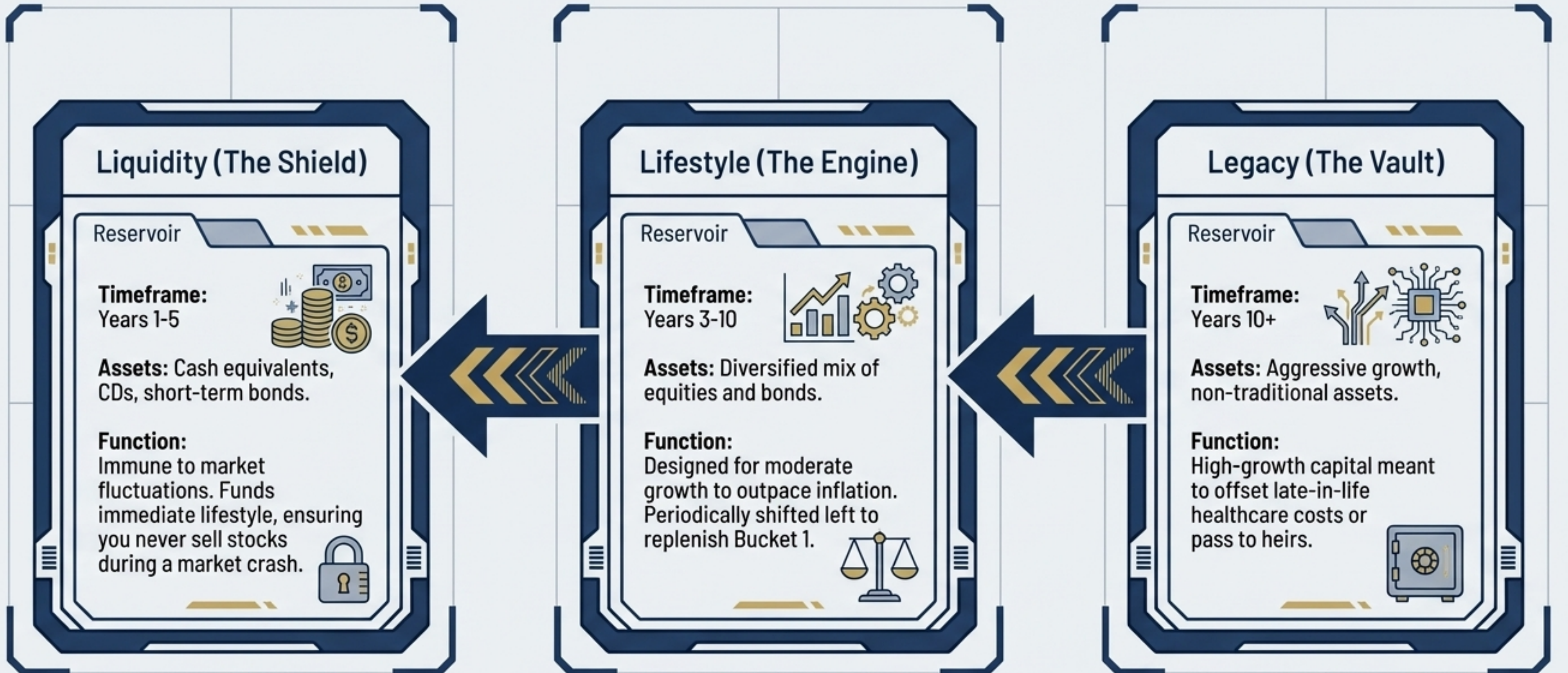
# Sequence of Returns Risk



## Key Takeaway

Average returns do not matter in retirement; the SEQUENCE of returns dictates survival. Liquidating volatile assets in down markets is the ultimate threat.

# The 3-Bucket Defense System



# Survivor Benefit Plan (SBP) Evaluator

## Structural Pros



**Longevity Insurance:** Beneficiary cannot outlive the coverage.



**Inflation Shield:** Payouts rise with annual Cost of Living Adjustments (COLA), maintaining purchasing power.



**Tax Efficiency:** Premiums are paid from pre-tax income, automatically reducing current federal tax liability.



**Guaranteed Access:** Automatic coverage with zero medical underwriting requirements.

## Structural Cons



**Irrevocable Commitment:** The decision made at retirement is generally final.



**Zero Principal Access:** Unlike life insurance, there is no lump-sum cash value to borrow against or utilize.



**Sunk Cost Risk:** If the spouse predeceases the retiree, coverage stops, and there are no refunds on premiums paid.



**Taxable Payouts:** Ultimate benefits received by the survivor are taxed as income (unlike life insurance payouts).

# Parallel Income Streams

## VA Disability Compensation



**Basis:** Compensates for service-connected injury.



**Tax Status:** 100% Tax-Free (Federal and State).



**SS Impact:** NOT classified as earned income. Has absolute **ZERO** reductive impact on Social Security payouts.

## Social Security Retirement



**Basis:** Strictly age-based and driven by lifetime payroll tax history.



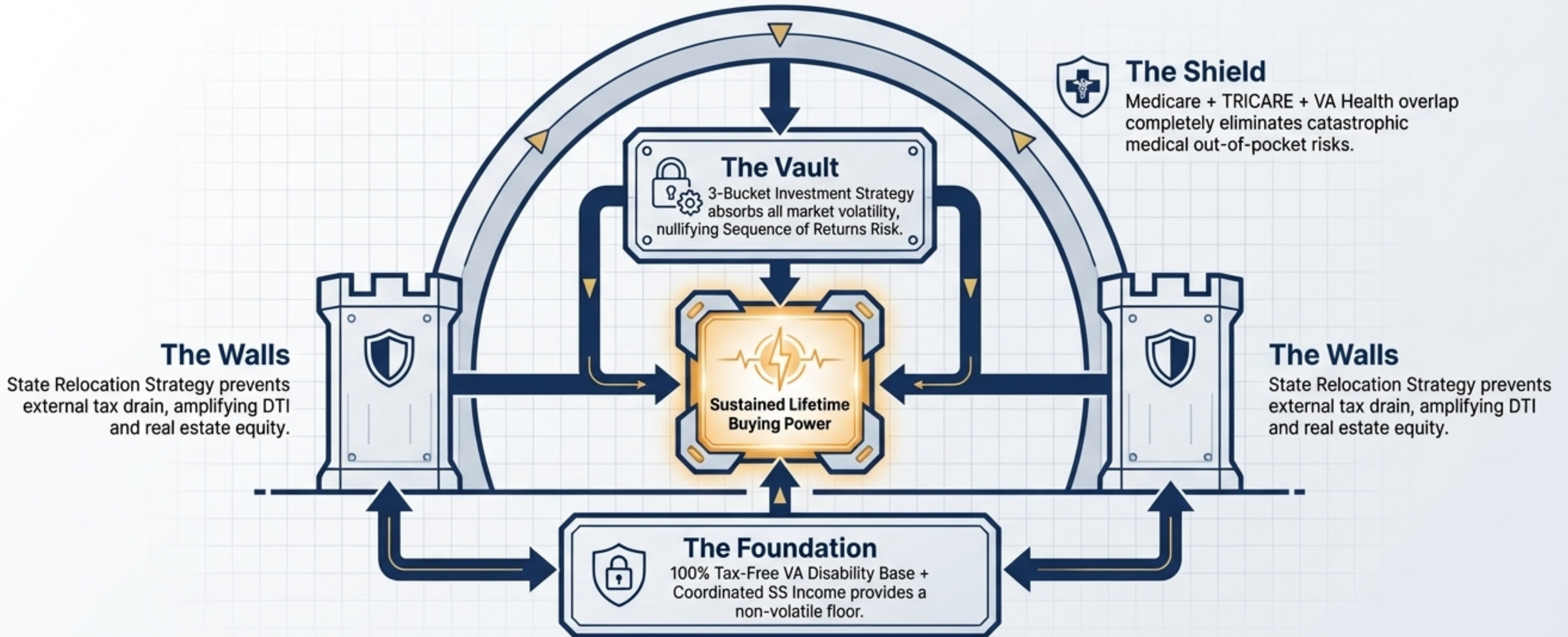
**Military Credit:** Automatic extra earnings credited (\$1,200/yr for active duty 1957-2001).



**SSDI Exception:** If **100% P&T VA rated**, SSDI claims are expedited, though approval still requires proof of inability to work.

**FACT:** Receiving VA disability does not reduce Social Security retirement benefits.

# The Total Asset Architecture



**CONCLUSION:** Military and federal retirement is not a single date; it is an engineered system. By aligning tax, healthcare, and investment architectures, a retiree transitions from hoping money lasts to commanding a self-sustaining financial fortress.